

Sec. D-37. 20-A MRSA §15673, as repealed and replaced by PL 2003, c. 712, §13, is repealed.

Sec. D-38. 20-A MRSA §15675, sub-§1, as enacted by PL 2003, c. 504, Pt. A, §6, is amended to read:

1. Limited English proficiency students. The additional weights for school administrative units with limited English proficiency students are as follows:

A. For a school administrative unit with 15 or fewer limited English proficiency students, the unit receives an additional weight of .50 per student;

B. For a school administrative unit with more than 15 and fewer than 251 limited English proficiency students, the unit receives an additional weight of .30 per student; and

C. For a school administrative unit with 251 or more limited English proficiency students, the unit receives an additional weight of .60 per student.

Eligibility for state funds under this subsection is limited to school administrative units that are providing services to limited English proficient students through programs approved by the department.

Sec. D-39. 20-A MRSA §15676, as enacted by PL 2003, c. 504, Pt A, §6, is amended to read:

§15676. EPS per-pupil rate

For each school administrative unit, the commissioner shall calculate the unit's ~~per-pupil-guarantee~~ EPS per-pupil rate for each year as the sum of:

1. Teaching staff costs. The salary and benefit costs for school level teaching staff that are necessary to carry out this Act, calculated in accordance with section 15678, adjusted by the regional adjustment under section 15682 and reduced by the amount of funds received by the school administrative unit during the most recent fiscal year under Title 1 of the federal Elementary and Secondary Act of 1965, 20 United States Code, Section 6301 et seq.;

2. Other staff costs. The salary and benefit costs for school-level staff who are not teachers, but including substitute teachers, that are necessary to carry out this Act, calculated in accordance with section 15679, adjusted by the regional adjustment under section 15682 and reduced by the amount of funds

received by the school administrative unit during the most recent fiscal year under Title I of the federal Elementary and Secondary Act of 1965, 20 United States Code, Section 6301 et seq.; and

3. Additional costs. The per-pupil amounts not related to staffing, calculated in accordance with section 15680.

The EPS per-pupil rate is calculated on the basis of which schools students attend. For school administrative units that do not operate their own schools, the EPS per-pupil rate is calculated under section 15676-A.

Sec. D-40. 20-A MRS §15676-A is enacted to read:

§15676-A. EPS per-pupil rate for units that do not operate schools

1. Definitions. For purposes of this section, the following terms have the following meanings.

A. "Receiving unit" means the school administrative unit to which students are sent by the sending unit.

B. "Receiving unit cost" means the amount arrived at by multiplying the receiving unit's EPS rate by the number of students sent to that unit by the sending unit.

C. "Sending unit" means the school administrative unit sending students to other school administrative units.

2. Calculation of EPS per-pupil rate. For school administrative units that do not operate certain types of schools, the commissioner shall calculate that unit's EPS per-pupil rate for each year as follows.

A. For units that do not operate elementary grade schools, the EPS per-pupil rate for elementary grades is calculated by multiplying the number of students sent by the sending unit to an elementary grade receiving unit multiplied by the receiving unit's EPS per-pupil rate for elementary grades and the result divided by the number of students sent by the sending unit to that elementary grade receiving unit. If the sending unit sends students to more than one elementary grade receiving unit, then the elementary grade receiving unit cost for each student sent by the sending unit is added and the result divided by the total number of students sent to elementary grade receiving units by the sending unit. The result is the average elementary grade EPS per-pupil rate for the sending unit.

The EPS per-pupil rate for private schools approved for tuition purposes under chapter 117 is the statewide average EPS per-pupil rate for elementary grades. The elementary attending student count is the most recent October 1st count prior to the allocation year.

B. For units that do not operate secondary grade schools, the EPS per-pupil rate for secondary grades is calculated by multiplying the number of students sent by the sending unit to a secondary grade receiving unit multiplied by the receiving unit's EPS per-pupil rate for secondary grades and the result divided by the number of students sent by the sending unit to that secondary grade receiving unit. If the sending unit sends students to more than one secondary grade receiving unit, then the secondary grade receiving unit cost for each student sent by the sending unit is added and the result divided by the total number of students sent to secondary grade receiving units by the sending unit. The result is the average secondary grade EPS per-pupil rate for the sending unit.

The EPS per-pupil rate for private schools approved for tuition purposes under chapter 117 is the statewide average EPS per-pupil rate for secondary grades. The secondary attending student count is the most recent October 1st count prior to the allocation year.

Sec. D-41. 20-A MRSA §15678, sub-§5, ¶B, as enacted by PL 2003, c 504, Pt. A, §6, is amended to read:

B. The amount, as determined by the commissioner, that equals the statewide percentage of salary costs that represents the statewide average benefit costs.

Sec. D-42. 20-A MRSA c. 606-C, headnote, as enacted by IB 2003, c. 2, §1, is repealed.

Sec. D-43. 20-A MRSA §15681, as enacted by IB 2003, c. 2, §1, is repealed.

Sec. D-44. 20-A MRSA §15681-A is enacted to read:

§15681-A. Other subsidizable costs

The following are other subsidizable costs:

1. **Bus purchases.** Bus purchase costs;

2. **Special education costs.** Beginning in fiscal year 2005-06, a school administrative unit receives an additional

weight of at least 1.20 but not greater than 1.40 for each special education student identified on the annual December 1st child count as required by the federal Individuals with Disabilities Education Act for the most recent year, up to a maximum of 15% of the school administrative unit's resident pupils as determined under section 15674, subsection 1, paragraph C, subparagraph (1). For those school administrative units in which the annual December 1st child count for the most recent year is less than 15% of the school administrative unit's resident pupils as determined under section 15674, subsection 1, paragraph C, subparagraph (1), the special education child count percentage may not increase more than 0.5% in any given year, up to a maximum of 1.0% in any given 3-year period. For each special education student above the 15% maximum, the unit receives an additional weight of .38. In addition, each school administrative unit must receive additional funds:

A. For lower staff-student ratios and expenditures for related services for school administrative units with fewer than 20 special education students identified on the annual December 1st child count as required by the federal Individuals with Disabilities Education Act for the most recent year;

B. For high-cost in-district special education placements. Additional funds must be allocated for each student estimated to cost 3 times the statewide special education EPS per-pupil rate. The additional funds for each student must equal the amount by which that student's estimated costs exceed 3 times the statewide special education EPS per-pupil rate;

C. For high-cost out-of-district special education placements. Additional funds must be allocated for each student estimated to cost 4 times the statewide special education EPS per-pupil rate. The additional funds for each student must equal the amount by which that student's estimated costs exceed 4 times the statewide special education EPS per-pupil rate; and

D. To ensure the school administrative unit meets the federal maintenance of effort requirement for receiving federal Individuals with Disabilities Education Act funds.

The commissioner shall develop an appeals procedure for calculated special education costs for school administrative units;

3. Transportation costs. For fiscal year 2005-06, the commissioner, using information provided by a statewide education

policy research institute, shall establish a per-pupil transportation cost for each school administrative unit based on an analysis of the most recent year's reported transportation expenditures and a predicted per-pupil transportation cost based on the number of resident pupils, the number of miles of Class 1 to Class 5 roads in the school administrative unit and any approved adjustments. In fiscal year 2005-06 the established per-pupil transportation cost for each school administrative unit is the most recent year's reported transportation expenditures or predicted per-pupil transportation cost, plus 10%, whichever is lower. Beginning in fiscal year 2006-07, and for each subsequent fiscal year, the per-pupil transportation costs for each school administrative unit are its established costs for the most recent year adjusted by the Consumer Price Index or other comparable index. For fiscal years 2005-06 and 2006-07, in no case may the per-pupil transportation costs for a school administrative unit be less than 75% of the established costs for the most recent fiscal year. Every 3 years, the commissioner, using information provided by a statewide education policy research institute, shall examine and may adjust reported transportation expenditures and predicted transportation costs. The commissioner shall develop an appeals procedure for established per-pupil transportation costs for school administrative units;

4. Vocational education costs. Vocational education costs in the base year adjusted to the year prior to the allocation year; and

5. Gifted and talented education costs. Gifted and talented education costs in the base year adjusted to the year prior to the allocation year.

Sec. D-45. 20-A MRSA §15682, as enacted by IB 2003, c. 2, §1, is repealed.

Sec. D-46. 20-A MRSA §15682, as enacted by PL 2003, c. 504, Pt. A §6, is amended to read:

§15682. Regional adjustment

The commissioner shall make a regional adjustment in the total operating allocation for each school administrative unit determined pursuant to section 15683. The regional adjustment must be based on the regional differences in teacher salary costs within labor market areas in the State, as computed by a statewide education policy research institute, and must be applied only to appropriate teacher salary and benefits costs as calculated under section 15678 and salary and benefit costs of other school-level staff who are not teachers as calculated under section 15679. Beginning in fiscal year 2006-07, and at least

every 2 years thereafter, the commissioner, using information provided by a statewide education policy research institute, shall review the regional adjustment amounts under this section and shall submit any recommended changes to the state board for approval.

Sec. D-47. 20-A MRSA §15683, as amended by PL 2003, c. 712, §14, is further amended to read:

§15683. Total operating allocation

For each school administrative unit, that unit's total operating allocation is the base total set forth in subsection 1 as adjusted in accordance with subsection 2 and including the total amount ~~for subsection 3~~ of other subsidizable costs as described in section 15681-A.

1. Base total. The base total of a school administrative unit's total operating allocation is the sum of:

A. The product of the school administrative unit's kindergarten to grade 8 ~~per-pupil-guarantee~~ EPS per-pupil rate multiplied by the total of the kindergarten to grade 8 portions of the following pupil counts:

- (1) The pupil count set forth in section 15674, subsection 1, paragraph C;
- (2) The additional weight for limited English proficiency students calculated pursuant to section 15675, subsection 1; and
- (3) The additional weight for economically disadvantaged students calculated pursuant to section 15675, subsection 2;

B. The product of the school administrative unit's grade 9 to 12 ~~per-pupil-guarantee~~ EPS per-pupil rate multiplied by the total of the grade 9 to 12 portion of the following pupil counts:

- (1) The pupil count set forth in section 15674 subsection 1, paragraphs A, B and C;
- (2) The additional weight for limited English proficiency students calculated pursuant to section 15675, subsection 1; and

(3) The additional weight for economically disadvantaged students calculated pursuant to section 15675, subsection 2;

C. If the school administrative unit is eligible for targeted student assessment funds pursuant to section 15681, subsection 1, the sum of:

(1) The product of the elementary school level and middle school level per-pupil amount for targeted student assessment funds calculated pursuant to section 15681, subsection 2 multiplied by the kindergarten to grade 8 portion of the pupil count calculated pursuant to section 15674, subsection 1, paragraph C, subparagraph (1); and

(2) The product of the high school level per-pupil amount for targeted student assessment funds calculated pursuant to section 15681, subsection 2 multiplied by the grade 9 to 12 portion of the pupil count calculated pursuant to section 15674, subsection 1, paragraph C, subparagraph (1);

D. If the school administrative unit is eligible for targeted technology resource funds pursuant to section 15681, subsection 1, the sum of:

(1) The product of the elementary school level and middle school level per-pupil amount for targeted technology resource funds calculated pursuant to section 15681, subsection 3 multiplied by the kindergarten to grade 8 portion of the pupil count calculated pursuant to section 15674, subsection 1, paragraph C, subparagraph (1); and

(2) The product of the high school level per-pupil amount for targeted technology resource funds calculated pursuant of section 15681, subsection 3 multiplied by the grade 9 to 12 portion of the pupil count calculated pursuant to section 15674, subsection 1, paragraph C, subparagraph (1); and

E. If the school administrative unit is eligible for targeted kindergarten to grade 2 funds pursuant to section 15681, subsection 1, the product of the ~~per-pupil-guarantee~~ EPS per-pupil rate multiplied by the additional weight for kindergarten to grade 2 calculated pursuant to section 15675, subsection 3; ~~and~~

F. An isolated small unit adjustment. A school administrative unit is eligible for an isolated small school adjustment when the unit meets the size and distance criteria as established by the commissioner and approved by the state board. The amount of the adjustment is the result of adjusting the necessary student-to-staff ratios determined in section 15679, subsection 2, the per-pupil amount for operation and maintenance of plant in section 15680, subsection 1, paragraph B or other essential programs and services components in chapter 606-B, as recommended by the commissioner.

2. Adjustments. The base total calculated pursuant to subsection 1 must be adjusted as follows by multiplying it by the appropriate transition percentage in accordance with section 15671, subsection 7, paragraph A.

~~A. The base total calculated pursuant to subsection 1 must be reduced by the amount of all funds received by the school administrative unit under Title I of the federal Elementary and Secondary Education Act of 1965, 20 United States Code, Section 6301 et seq, during the most recent fiscal year.~~

~~B. The amount calculated pursuant to paragraph A must be adjusted by the regional adjustment pursuant to section 15682.~~

~~C. The amount calculated pursuant to paragraph B must be multiplied by the essential programs and services transition percentage for the appropriate year in accordance with section 15671, subsection 7, paragraph A.~~

Sec. D-48. 20-A MRSA §15683, as enacted by IB 2003, c. 2, §1, is repealed.

Sec. D-49. 20-A MRSA §15683-A is enacted to read:

§15683-A. Total debt service allocation

For each school administrative unit, that unit's total debt service allocation is that unit's debt service costs as defined in section 15672, subsection 2-A.

Sec. D-50. 20-A MRSA §15684, as enacted by PL 2003, c. 712, §15 and IB 2003, c. 2, §1, is repealed.

Sec. D-51. 20-A MRSA §15685, as enacted by PL 2003, c. 504, Pt. A §6 and IB 2003, c. 2, §1, is repealed.

Sec. D-52. 20-A MRSA §15686, as amended by PL 2003, c. 712, §16, is further amended to read:

§15686. Transition adjustment

For each of the fiscal years described in section 15671, subsection 7, the commissioner shall establish a transition adjustment calculated to minimize the adverse fiscal impact that may be experienced by some municipalities as a result of the phase-in of this Act. The transition adjustment for a municipality must be directly related to the phase-in of essential programs and services and the local cost share expectation method under section 15671-A of determining the local contribution to the cost of funding essential programs and services. The amount of this adjustment must decline with each successive fiscal year, and the adjustments must end no later than fiscal year ~~2009-10~~ 2008-09.

1. Adjustment in fiscal year 2005-06. A school administrative unit is eligible for a transition adjustment in fiscal year 2005-06 if the school administrative unit meets the following criteria.

A. The school administrative unit's state share of the total allocation, including the debt service adjustment pursuant to section 15689, subsection 2, and the minimum state share of its total allocation pursuant to section 15689, subsection 1 is less than the fiscal year 2004-05 state share of its total allocation, including the minimum state share of its total allocation pursuant to former section 15689, subsection 1 and the adjustment for geographic isolation pursuant to section 15612, subsection 2. The state share adjustment is an amount equal to that difference less the losses due to reduced expenditures for buses, debt service, special education, gifted and talented education and vocational education.

A school administrative unit that meets the criteria in paragraph A is eligible to receive no less than a 5% transition adjustment in fiscal year 2005-06 if the school administrative unit operates an elementary or secondary school and also has a student count of less than 1,000.

A school administrative unit that meets the criteria in paragraph A is eligible to receive no less than a 2.5% transition adjustment in fiscal year 2005-06 if the school administrative unit operates an elementary or secondary school and also has a student count of more than 1,000.

Sec. D-53. 20-A MRSA §15688, sub-§1, ¶¶A to C, as enacted by PL 2003, c. 712, §17, are amended to read:

A. The school administrative unit's base total cost--of funding--essential--programs--and--services--subject--to--the transition-percentages calculated pursuant to section 15683, subsection 1, adjusted pursuant to the transition targets described in section 15671, subsection 7, paragraph A;

B. The program-cost-allocation-as-used-in-chapter-606 other subsidizable costs described in section 15681-A; and

C. The total debt service allocation as-used-in-chapter-606 described in section 15683-A.

Sec. D-54. 20-A MRSA §15688, sub-§2, as enacted by PL 2003, c. 712, is amended to read:

2. Member municipalities in school administrative districts or community school districts; total costs. For each municipality that is a member of a school administrative district or community school district, the commissioner shall annually determine each municipality's total cost of education. A municipality's total cost of education is the school administrative district's or community school district's total cost of funding education multiplied by the percentage that the municipality's most recent calendar year average pupil count is to the school administrative district's or community school district's most recent calendar year average pupil count.

Sec. D-55. 20-A MRSA §15688, sub-§3, as enacted by PL 2003, c. 712, is repealed.

Sec. D-56. 20-A MRSA §15688, sub-§3-A is enacted to read:

3-A. School administrative unit; contribution. For each school administrative unit, the commissioner shall annually determine the school administrative unit's required contribution, the required contribution of each municipality that is a member of the unit, if the unit has more than one member, and the State's contribution to the unit's total cost of education in accordance with the following.

A. For a school administrative unit composed of only one municipality, the contribution of the unit and the municipality is the same and is the lesser of:

(1) The total cost described in subsection 1; and

(2) The total of the full-value education mill rate calculated in section 15671-A, subsection 2 multiplied by the property fiscal capacity of the municipality.

B. For a school administrative district or community school district composed of more than one municipality, each municipality's contribution to the total cost of education is the lesser of:

(1) The municipality's total cost as described in subsection 2; and

(2) The total of the full-value education mill rate calculated in section 15671-A, subsection 2 multiplied by the property fiscal capacity of the municipality.

C. For a school administrative district or community school district composed of more than one municipality, the unit's contribution to the total cost of education is the lesser of:

(1) The total cost as described in subsection 1; and

(2) The sum of the totals calculated for each member municipality pursuant to paragraph B, subparagraph (2).

D. The state contribution to the school administrative unit's total cost of education is the total cost of education calculated pursuant to subsection 1 less the school administrative unit's contribution calculated pursuant to paragraph A or C, as applicable. The state contribution is subject to reduction in accordance with section 15690, subsection 1, paragraph C.

Sec. D-57. 20-A MRSA §15688, sub-§4, as enacted by PL 2003, c. 712, §17, is amended to read:

4. Method of cost sharing; exception. For the purpose of local cost sharing, the provisions of subsection -3- ~~3-A~~ do not apply to municipalities that are members of a school administrative district or a community school district whose cost sharing formula was established pursuant to private and special law prior to January 1, 2004. For each municipality that is a member of a school administrative district or a community school district whose cost sharing formula was established pursuant to private and special law prior to January 1, 2004, the cost sharing formula established pursuant to private and special law determines each municipality's local cost of education.

Sec. D-58. 20-A MRSA §15689, sub-§1, as enacted by PL 2003, c. 712, §17, is repealed and the following enacted in its place:

1. Minimum state allocation. Each school administrative unit must be guaranteed a minimum state share of its total allocation that is an amount equal to the greater of the following:

A. The sum of the following calculations:

(1) Multiplying 5% of each school administrative unit's essential programs and services per-pupil elementary rate by the average number of resident kindergarten to grade 8 pupils as determined under section 15674, subsection 1, paragraph C, subparagraph (1); and

(2) Multiplying 5% of each school administrative unit's essential programs and services per-pupil secondary rate by the average number of resident grade 9 to grade 12 pupils as determined under section 15674, subsection 1, paragraph C, subparagraph (1); and

B. The school administrative unit's special education costs as calculated pursuant to section 15681-A, subsection 2 multiplied by the following transition percentages:

(1) In fiscal year 2005-06, 84%;

(2) In fiscal year 2006-07, 90%;

(3) In fiscal year 2007-08, 95%; and

(4) In fiscal year 2008-09 and succeeding years, 100%.

These funds must be an adjustment to the school administrative unit's state and local allocation after the state and local allocation has been adjusted for debt service pursuant to subsection 2.

Sec. D-59. 20-A MRSA §15689, sub-§3, as enacted by PL 2003, c. 712, §17, is amended to read:

3. Adjustment limitations. The amounts of the adjustments paid to school administrative units or municipalities ~~in subsections 1 and 2~~ pursuant to this section are limited to the amounts appropriated by the Legislature for these adjustments.

Sec. D-60. 20-A MRSA §15689, sub-§§4 to 6 are enacted to read:

4. Audit adjustments. The following provisions apply to audit adjustments.

A. If errors are revealed by audit and by the commissioner, the school administrative unit's state subsidy must be adjusted to include corrections.

B. If audit adjustments are discovered after the funding level is certified by the commissioner and the state board on December 15th pursuant to section 15689-C, the department may request the necessary additional funds, if any, to pay for these adjustments. These amounts, if any, are in addition to the audit adjustment amount certified by the commissioner and state board on the prior December 15th.

5. Adjustment for cost of educating eligible students in long-term drug treatment centers. A school administrative unit that operates an educational program approved pursuant to chapter 327 to serve eligible students in licensed drug treatment centers must be reimbursed in the year in which costs are incurred as follows.

A. Reimbursements must be limited to a maximum of 12 state average tuition rates a year for each approved plan.

B. The rate of reimbursement per student may not exceed the state average tuition rates in effect during the year of placement as computed under sections 5804 and 5805. The tuition rates must be computed based on the state average secondary tuition rate and may be adjusted if the program is approved to operate beyond the 180-day school year.

6. Adjustment for uncertified personnel. The commissioner shall reduce the state share of the total allocation to a school administrative unit in the current year or following year by an amount that represents the state share of expenditures for salaries and benefits paid to uncertified personnel.

Sec. D-61. 20-A MRSA §§15689-A to 15689-F are enacted to read:

§15689-A. Authorization of payment of miscellaneous costs

1. Payment of state agency client costs. State agency client costs are payable pursuant to this subsection. As used in this subsection, "state agency client" has the same meaning as defined in section 1, subsection 34-A.

A. The commissioner shall approve special education costs and supportive services, including transportation, for all

state agency clients placed in residential placements by an authorized agent of a state agency.

B. Special education costs authorized by this subsection for state agency clients must be paid by the department in the allocation year at 100% of actual costs.

C. The commissioner shall pay only approved special education costs and supportive services, including transportation, authorized by this subsection for state agency clients and may not allocate for those special education costs and supportive services, including transportation, incurred by the school administrative unit for state agency clients in the base years starting July 1, 1985, and every base year thereafter.

D. Transportation costs for state agency clients, when provided in accordance with rules established by the commissioner under section 7204, must be paid by the department in the allocation year at 100% of actual costs.

2. Education of institutional residents. The commissioner may pay tuition to school administrative units or private schools for institutional residents within the limits of the allocation made under this section.

3. Essential programs and services components contract. The commissioner may contract for the updating of the essential programs and services component with a statewide education research institute.

4. Learning results implementation, assessment and accountability. The commissioner may expend and disburse funds limited to the amount appropriated by the Legislature to carry out the purposes of Public Law 1995, chapter 649, sections 5 and 8.

5. Regionalization, consolidation and efficiency assistance. The commissioner may expend and disburse funds limited to the amount appropriated by the Legislature to carry out the purposes of promoting regionalization, consolidation and efficiency.

6. Education research contract. The commissioner may contract for the compilation and analysis of education data with a statewide education research institute.

7. Disbursement limitations. The funds disbursed in accordance with this section are limited to the amounts appropriated by the Legislature for these purposes.

§15689-B. Authorization and schedules of payment of state subsidy; appeals

1. Schedules of payment of unit allocation. The commissioner shall authorize state subsidy payments to the school administrative units to be made in accordance with time schedules set forth in sections 15005, 15689-D and 15901 to 15910.

2. Notification of allocation; commissioner's duty; superintendent's duty. The following provisions apply to notification of allocation by the commissioner and each superintendent.

A. The commissioner shall annually, prior to February 1st, notify each school board of the estimated amount to be allocated to the school administrative unit.

B. Each superintendent shall report to the municipal officers whenever the school administrative unit is notified of the allocation or a change is made in the allocation resulting from an adjustment.

3. Payments of state subsidy to unit's treasurer; basis. State subsidy payments must be made directly to the treasurer of each school administrative unit. The payments must be based on audited financial reports submitted by school administrative units.

4. Appeals. A school board may appeal the computation of state subsidy for the school administrative unit to the state board in writing within 30 days of the date of notification of the computed amount. The state board shall review the appeal and make an adjustment if in its judgment an adjustment is justified. The state board's decision is final as to facts supported by the record of the appeal.

5. School purpose expense requirement. Notwithstanding any other law, money allocated for school purposes may be expended only for school purposes.

6. Balance of allocations. Notwithstanding any other law, general operating fund balances at the end of a school administrative unit's fiscal year must be carried forward to meet the unit's needs in the next year or over a period not to exceed 3 years. Unallocated balances in excess of 3% of the previous fiscal year's school budget must be used to reduce the state and local share of the total allocation for the purpose of computing state subsidy. School boards may carry forward unallocated balances in excess of 3% of the previous year's school budget and

disburse these funds in the next year or over a period not to exceed 3 years.

7. Required data; subsidy payments withheld. A school administrative unit shall provide the commissioner with information that the commissioner requests to carry out the purposes of this chapter, according to time schedules that the commissioner establishes. The commissioner may withhold monthly subsidy payments from a school administrative unit when information is not filed in the specified format and with specific content and within the specified time schedules.

8. Unobligated balances. Unobligated balances from amounts appropriated for general purpose aid for local schools may not lapse but must be carried forward to the next fiscal year.

§15689-C. Commissioner's recommendation for funding levels; computations

1. Annual recommendation. Prior to December 15th of each year, the commissioner, with the approval of the state board, shall recommend to the Governor and the Department of Administrative and Financial Services, Bureau of the Budget the funding levels that the commissioner recommends for the purposes of this chapter.

2. Funding level computations. The following are the funding level computations that support the commissioner's funding level recommendations:

A. The requested funding levels for the operating allocation under section 15683;

B. The requested funding levels for debt service under section 15683-A, which are as follows:

(1) The known obligations and estimates of anticipated principal and interest costs for the allocation year;

(2) The expenditures for the insured value factor for the base year;

(3) The level of lease payments and lease-purchase payments pursuant to section 15672, subsection 2-A for the year prior to the allocation year; and

(4) Funds allocated by the state board for new school construction projects funded in the current fiscal year;

C. The requested funding levels for adjustments under section 15689, which must be computed by estimating costs for the allocation year; and

D. The requested funding levels for miscellaneous costs under section 15689-A.

3. Guidelines for updating other subsidizable costs. The commissioner's recommendation for updating percentages to bring base year actual costs to the equivalent of one-year-old costs may not exceed the average of the 2 most recent percentages of annual increase in the Consumer Price Index.

§15689-D. Governor's recommendation for funding levels

The Department of Administrative and Financial Services, Bureau of the Budget shall annually certify to the Legislature the funding levels that the Governor recommends under sections 15683, 15683-A, 15689 and 15689-A. The Governor's recommendations must be transmitted to the Legislature within the time schedules set forth in Title 5, section 1666.

§15689-E. Actions by Legislature

The Legislature shall annually, prior to March 15th, enact legislation to:

1. Appropriation for state share of adjustments, debt service and operating; single account. Appropriate the necessary funds for the State's share for general purpose aid for local schools with a separate amount for each of the following components:

A. Adjustments and miscellaneous costs described in sections 15689 and 15689-A, including an appropriation for special education pupils placed directly by the State, for:

(1) Tuition and board for pupils placed directly by the State in accordance with rules adopted or amended by the commissioner; and

(2) Special education tuition and other tuition for residents of state-operated institutions attending programs in school administrative units or private schools in accordance with rules adopted or amended by the commissioner; and

B. The state share of the total operating allocation and the total debt service allocation described in sections 15683 and 15683-A; and

2. Local cost share expectation. Establish the local cost share expectation described in section 15671-A.

Funds for appropriations under this section must be placed in a single account.

§15689-F. Actions by department

Within the annual appropriations, the department shall follow the procedures described in this section.

1. State's obligation. If the State's continued obligation for any program provided by one of the appropriated amounts under section 15689-E exceeds the appropriated amount, any unexpended balance from another of those appropriated amounts may be applied by the commissioner toward the obligation for that program.

2. Cash flow. For the purpose of cash flow, the commissioner may pay the full state and local share of the payment amounts due on bond issues for school construction from that school administrative unit's state subsidy, excluding payments on non-state-funded projects. This subsection does not apply if a school administrative unit has less subsidy than the total principal and interest payment on bonds.

Sec. D-62. 20-A MRSA §§15690 to 15695 are enacted to read:

§15690. Local appropriations

Beginning with the budget for the 2005-2006 school year, the following provisions apply to local appropriations for school purposes.

1. School administrative unit contribution to total cost of funding public education from kindergarten to grade 12. The legislative body of each school administrative unit may vote to raise and appropriate an amount up to its required contribution to the total cost of education as described in section 15688.

A. For a municipal school unit, an article in substantially the following form must be used when a single municipal school administrative unit is considering the appropriation of an amount up to its required contribution to the total cost of education as described in section 15688.

(1) "Article.....: To see what sum the municipality will appropriate for the school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in

the Essential Programs and Services Funding Act (Recommend \$.....) and to see what sum the municipality will raise as the municipality's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act in accordance with the Maine Revised Statutes, Title 20-A, section 15688. (Recommend \$.....)"

(2) The following statement must accompany the article in subparagraph (1). "Explanation: The school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act is the amount of money determined by state law to be the minimum amount that a municipality must raise in order to receive the full amount of state dollars."

B. For a school administrative district or a community school district, an article in substantially the following form must be used when the school administrative district or community school district is considering the appropriation of an amount up to its required contribution to the total cost of education as described in section 15688.

(1) "Article: To see what sum each municipality will appropriate for the school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act and to see what sum each municipality will raise as each municipality's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act in accordance with the Maine Revised Statutes, Title 20-A, section 15688 (Recommends):

<u>Total cost by municipality</u>	<u>Municipal local contribution</u>
<u>Town A (\$amount)</u>	<u>Town A (\$amount)</u>
<u>Town B (\$amount)</u>	<u>Town B (\$amount)</u>
<u>Town C (\$amount)</u>	<u>Town C (\$amount)</u>
<u>School District</u>	<u>School District</u>
<u>Total (\$sum of above)</u>	<u>Total (\$sum of above)"</u>

(2) The following statement must accompany the article in subparagraph (1). "Explanation: The school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act is the amount of money determined by state law to be the minimum amount that each municipality must raise in order to receive the full amount of state dollars."

C. The state share of the total cost of funding public education from kindergarten to grade 12 as described in section 15688, excluding state-funded debt service for each school administrative unit, is limited to the same proportion as the local school administrative unit raises of its required contribution to the total cost of education as described in section 15688, excluding state-funded debt service costs.

2. Non-state-funded debt service. For each school administrative unit's contribution to debt service for non-state-funded major capital school construction projects or non-state-funded portions of major capital school construction projects, the legislative body of each school administrative unit may vote to raise and appropriate an amount up to the municipality's or district's annual payments for non-state-funded debt service.

A. An article in substantially the following form must be used when a school administrative unit is considering the appropriation for debt service allocation for non-state-funded school construction projects or non-state-funded portions of school construction projects.

(1) "Article: To see what sum the (municipality or district) will raise for the annual debt service payments on a non-state-funded school construction project or non-state-funded portion of a school construction project in addition to the funds appropriated as the local share of the school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12. (Recommend \$.....)"

(2) The following statement must accompany the article in subparagraph (1). "Explanation: Non-state-funded debt service is the amount of money needed for the annual payments on the (municipality's or district's) long-term debt for major capital school construction

that is not approved for state subsidy. The bonding of this long-term debt was approved by the voters on (date of original referendum)."

3. Additional local appropriation. A school administrative unit may raise and expend funds for educational purposes in addition to the funds under subsections 1 and 2.

A. If the amount of the additional funds does not result in the unit's exceeding its maximum state and local spending target established pursuant to section 15671-A, subsection 4, an article in substantially the following form must be used when a school administrative unit is considering the appropriation of additional local funds:

(1) "Article: To see what sum the (municipality or district) will raise and to appropriate the sum of (Recommend \$.....) in additional local funds for school purposes under the Maine Revised Statutes, Title 20-A, section 15690. (Recommend \$.....)"

(2) The following statement must accompany the article in subparagraph (1). "Explanation: The additional local funds are those locally raised funds over and above the school administrative unit's local contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act and local amounts raised for the annual debt service payment on non-state-funded school construction projects or the non-state-funded portion of a school construction project that will help achieve the (municipality's or district's) budget for educational programs."

B. If the amount exceeds the unit's maximum state and local spending target established pursuant to section 15671-A, subsection 4, an article in substantially the following form must be used when a school administrative unit is considering an appropriation of additional local funds.

(1) "Article: Shall (name of municipality or district) raise and appropriate \$..... in additional local funds, which exceeds the State's Essential Programs and Services funding model by \$.....?"

The (school committee or board of directors) recommends \$..... for the following reasons: (state reasons)

(2) The following statement must accompany the article in subparagraph (1). "Explanation: The additional local funds are those locally raised funds over and above the school administrative unit's local contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act and local amounts raised for the annual debt service payment on non-state-funded school construction projects or the non-state-funded portion of a school construction project that will help achieve the (municipality's or district's) budget for educational programs."

4. Total budget article. A school administrative unit must include a summary article indicating the total annual budget for funding public education from kindergarten to grade 12 in the school administrative unit. The amount recommended must be the gross budget of the school system. This article does not provide money unless the other articles are approved.

A. "Article: To see what sum the (municipality or district) will authorize the school committee to expend for the fiscal year beginning (July 1,) and ending (June 30,) from the school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in the Essential Programs and Services Funding Act, non-state-funded school construction projects, additional local funds for school purposes under the Maine Revised Statutes, Title 20-A, section 15690, unexpended balances, tuition receipts, state subsidy and other receipts for the support of schools. (Recommend \$.)"

5. Vote. Actions taken pursuant to subsections 1 to 4 must be taken by a recorded vote.

6. Administrative costs for units with no pupils. If a school administrative unit is required to pay administrative costs and has no allocation of state or local funds, that unit may raise and expend funds for administrative costs.

§15691. Municipal assessment paid to district

1. Presentation of assessment schedule. The assessment schedule based on the budget approved at a community school district or school administrative district budget meeting must be presented to the treasurer of each municipality that is a member of the district.

The assessment schedule must include each member municipality's share of the school administrative unit's contribution to the total cost of funding public education from kindergarten to grade 12 as described in section 15688, the school administrative unit's contribution to debt service for non-state-funded school construction projects and additional local funds for school purposes under section 15690.

2. Municipal treasurer's payment schedule. The treasurer of the member municipality, after being presented with the assessment schedule, shall forward 1/12 of that member municipality's share to the treasurer of the district on or before the 20th day of each month of the fiscal year beginning in July.

§15692. Special school districts

1. School administrative unit. For the purposes of section 15695 and Title 20, sections 3457 to 3460, a special school district is deemed to be a school administrative unit.

2. Debt service. Debt service on bonds or notes issued by a special school district must be included in the school budget of the school administrative unit that operates the schools constructed by that district. The school board for the school administrative unit that operates the special district's schools shall pay to the special school district all sums necessary to meet the payments of principal and interest on bonds or notes when due and to cover maintenance or other costs for which the special school district is responsible.

§15693. School budget; budget formats

1. Content. A school administrative unit shall include in its school budget document:

A. The school administrative unit's total cost of funding public education from kindergarten to grade 12, its non-state-funded debt service, if any, and any additional expenditures authorized by law;

B. A summary of anticipated revenues and estimated school expenditures for the fiscal year; and

C. The following statement, including the estimated dollar amount of state retirement payments: "This budget does not include the estimated amount of \$..... in employer share of teacher retirement costs that is paid directly by the State."

2. Budget deadlines. The following time limitations apply to adoption of a school budget under this section.

A. At least 7 days before the initial meeting of the legislative body responsible for adopting a budget, the school administrative unit shall provide a detailed budget document to that legislative body and to any person who requests one and resides within the geographic area served by the school administrative unit.

B. Notwithstanding a provision of law or charter to the contrary, school administrative units may adopt an annual budget prior to June 30th. The school budgets for career and technical education regions must be adopted on or before August 1st.

C. Notwithstanding any municipal charter provision, ordinance or other law to the contrary, if the level of state subsidy for the next school year is not finalized in accordance with this chapter before June 1st, the school board may delay a school budget meeting otherwise required to be held before July 1st to a date after July 1st. If a school board elects to delay a school budget meeting under this paragraph, the meeting must be held and the budget approved within 30 days of the date the commissioner notifies the school board of the amount allocated to the school administrative unit under section 15689-B. When a school budget meeting is delayed under this paragraph, the school administrative unit may continue operation of the unit at the same budget levels as were approved for the previous year. Continued operation under the budget for the previous year is limited to the time between July 1st and the date the new budget goes into effect.

3. Budget format. The following provisions apply to a budget format.

A. Except as provided in subsection 4, the budget format is that prescribed by a majority of the school board until an article prescribing the school budget format is approved by a majority of voters in an election in which the total vote is at least 20% of the number of votes cast in the municipality in the last gubernatorial election, or 200, whichever is less.

B. The format of the school budget may be determined in accordance with section 1306.

C. It is the intent of the Legislature that a school board shall attempt to obtain public participation in the development of the school budget format.

4. Budget format; town or city charter. In a municipality where the responsibility for final adoption of the school budget is vested by municipal charter in a council, the school budget format may be changed through amendment of the charter under the home rule procedures of Title 30-A, chapter 111, except that the amendment must be approved by a majority of voters in an election in which the total vote is at least 20% of the number of votes cast in the municipality in the last gubernatorial election.

5. Budget format; town meeting. When the final budget authority is vested in a town meeting operating under the general enabling procedures of Title 30-A, the format of the school budget may be determined by the town meeting or under the procedures of Title 30-A, section 2522 or 2528.

6. Budget format; community school district. The following provisions apply to the budget format of a community school district.

A. An article containing the district's proposed budget format must be placed on the next warrant issued or ballot printed if:

(1) A majority of the district school committee votes to place it on the warrant or ballot; or

(2) A written petition signed by at least 10% of the number of voters voting in the last gubernatorial election in each municipality within the community school district requests it to be on the warrant or ballot.

B. The article containing the budget format may be voted on by secret ballot at an election conducted in accordance with Title 30-A, sections 2528 to 2532.

C. The district school committee shall:

(1) Issue a warrant specifying that the municipal officers of the municipalities within the community school district shall place the budget format article on the secret ballot; and

(2) Prepare and furnish the required number of ballots for carrying out the election, including absentee ballots.

7. Budget format; articles. The articles prescribed in this chapter must be included in the budget format and be voted on in the adoption of the budget in order to determine state and local cost sharing.

8. Change in budget format. Any change in the budget format must be voted on at least 90 days prior to the budget year for which that change is to be effective.

§15694. Actions on budget

The following provisions apply to approving a school budget under this chapter.

1. Checklist required. Prior to a vote on articles dealing with school appropriations, the moderator of a regular or special school budget meeting shall require the clerk or secretary to make a checklist of the registered voters present. The number of voters listed on the checklist is conclusive evidence of the number present at the meeting.

2. Reconsideration. Notwithstanding any law to the contrary, in school administrative units where the school budget is finally approved by the voters, a special budget meeting to reconsider action taken on the budget may be called only as follows.

A. The meeting must be held within 30 days of the regular budget meeting at which the budget was finally approved.

B. In a school administrative district or community school district, the meeting must be called by the school board or as follows.

(1) A petition containing a number of signatures of legal voters in the member municipalities of the school administrative unit equalling at least 10% of the number of voters who voted in the last gubernatorial election in member municipalities of the school administrative unit, or 100 voters, whichever is less, and specifying the article or articles to be reconsidered must be presented to the school board within 15 days of the regular budget meeting at which the budget was finally approved.

(2) On receiving the petition, the school board shall call the special budget reconsideration meeting, which must be held within 15 days of the date the petition was received.

C. In a municipality, the meeting must be called by the municipal officers:

(1) Within 15 days after receipt of a request from the school board, if the request is received within 15 days of the budget meeting at which the budget was finally approved and it specifies the article or articles to be reconsidered; or

(2) Within 15 days after receipt of a written application presented in accordance with Title 30-A, section 2532, if the application is received within 15 days of the budget meeting at which the budget was finally approved and it specifies the article or articles to be reconsidered.

3. Invalidation of action of special budget reconsideration meeting. If a special budget meeting is called to reconsider action taken at a regular budget meeting, the actions of the meeting are invalid if the number of voters at the special budget meeting is less than the number of voters present at the regular budget meeting.

4. Line-item transfers. Meetings requested by a school board for the purpose of transferring funds from one category or line item to another must be posted for voter or council action within 15 days of the date of the request.

\$15695. Bonds; notes; other

All bonds, notes or other evidences of indebtedness issued for school purposes by a school administrative unit for major capital expenses, bus purchases or current operating expenses, including tax or other revenue anticipation notes, are general obligations of the unit.

1. Tax assessments. The municipal officers or school board shall require the sums that are necessary to meet in full the principal of and interest on the bonds, notes or other evidences of indebtedness issued pursuant to this section payable in each year to be assessed and collected in the manner provided by law for the assessment and collection of taxes.

2. Reduction. The sums to be assessed and collected under subsection 1 must be reduced by the amount of an allocation of funds appropriated by the Legislature to pay the principal and interest owed by the school administrative unit in a given year as certified to the unit by the commissioner. The commissioner

shall certify the amount due to the unit within 30 days of its appropriation by the Legislature.

3. Collection. After assessment and reduction under subsection 2, the remaining sum must be paid from ad valorem taxes, which may be levied without limit as to rate or amount upon all the taxable property within the school administrative unit.

Sec. D-63. 20-A MRSA c. 608 is enacted to read:

CHAPTER 608

SCHOOL FINANCE ACT OF 2003

§15751. Short title

This chapter may be known and cited as "the School Finance Act of 2003."

§15752. Mandated legislative appropriations for kindergarten to grade 12 education

In accordance with the phase-in schedule provided in chapter 606-B, beginning in fiscal year 2008-09, the Legislature each year shall provide at least 55% of the cost of the total allocation for kindergarten to grade 12 education from General Fund revenue sources.

For the purposes of this chapter, and until such time as the Legislature may implement an alternative school funding system, "total allocation" means the foundation allocation for a year, the debt service allocation for that year, the sum of all adjustments for that year and the total of the additional local appropriations for the prior year. In the event the Legislature implements an alternative school funding model that alters the meaning of the terms used in this Title or otherwise makes obsolete the system of allocations and local appropriations established by this Title, the term "total allocation" as it applies to the mandatory appropriation required by this section means the amount reasonably calculated as the equivalent of this definition.

§15753. Mandated legislative appropriations for special education

Except as provided in section 15689, subsection 1, but notwithstanding any other provision of chapter 606-B, the Legislature shall provide 100% of a school administrative unit's special education costs as calculated pursuant to section 15681-A, subsection 2.

For the purposes of the mandatory appropriation required by this section, and in accordance with the essential programs and services school funding allocation system established in chapter 606-B, the commissioner shall identify and provide in the commissioner's recommendation pursuant to section 15689-C the total special education costs required to be funded pursuant to this section. In addition to any appropriations required by section 15689-E, the Legislature shall appropriate and ensure the accurate distribution of the total amount identified by the commissioner, adjusted by the federal reimbursements for the costs of special education services mandated by federal or state law, rule or regulation that will be provided to the individual school administrative units for that same school year.

§15754. Fund for the Efficient Delivery of Educational Services

The Fund for the Efficient Delivery of Educational Services, referred to in this section as "the fund," is established as a dedicated nonlapsing account within the Department of Education. This section provides for the design, implementation, administration and use of the fund.

1. Source of funds; purpose. Funds for appropriations under this section must be appropriated in addition to the total amount annually appropriated for general purpose aid for local schools and must be placed into a single account. Beginning in fiscal year 2005-06 and in each succeeding fiscal year until fiscal year 2008-09, an amount calculated to be not greater than 2% of the total amount annually appropriated for general purpose aid for local schools must be dedicated to the fund and distributed from the fund to those school administrative units and municipalities that are able to demonstrate significant and sustainable savings in the cost of delivering educational services and improved student achievement through changes in governance, administrative structure or adopted policy that result in the creation of consolidated school administrative units, broad-based purchasing alliances, enhanced regional delivery of educational services or collaborative school-municipal service delivery or service support systems.

Beginning in fiscal year 2005-06, the Legislature shall annually, prior to March 15th, enact legislation to allocate the following amounts calculated based on the amount appropriated for general purpose aid for local schools to the fund during each of the following fiscal years:

A. In fiscal year 2005-06, an amount equivalent to 0.83% of the total amount appropriated for general purpose aid for local schools;

B. In fiscal year 2006-07, an amount equivalent to 0.69% of the total amount appropriated for general purpose aid for local schools;

C. In fiscal year 2007-08, an amount equivalent to 1.5% of the total amount appropriated for general purpose aid for local schools; and

D. In fiscal year 2008-09, an amount equivalent to 2% of the total amount appropriated for general purpose aid for local schools.

Any balance remaining in the fund at the end of any fiscal year does not lapse and must be carried forward for the next fiscal year.

2. Administration; plan for implementation of the fund. The department shall administer the fund or may contract for services for administration of the fund. The commissioner, in consultation with the Executive Department, State Planning Office and the other agencies, organizations and individuals determined appropriate by the commissioner, shall establish an implementation plan for the fund that includes, but is not limited to, the following:

A. The establishment of criteria through which school administrative units and municipalities may demonstrate significant and sustainable savings in the cost of delivering educational services and improved student achievement through changes in governance, administrative structure or adopted policy that result in the creation of consolidated school administrative units, broad-based purchasing alliances, enhanced regional delivery of educational services or collaborative school-municipal service delivery or service support systems;

B. Pursuant to criteria established in accordance with this section, a school administrative unit or municipality may apply to the commissioner for a distribution from the fund during the period beginning with the start of fiscal year 2005-06 and ending prior to the end of fiscal year 2008-09; and

C. Pursuant to criteria established in accordance with this section, the commissioner may authorize distributions from the fund in the form of competitive and planning grants.

§15755. Entitlement

The State's school administrative units and municipalities are entitled to the appropriations required by this chapter.

Sec. D-64. 30-A MRSA §2181, sub-§4, ¶E, as enacted by PL 2003, c. 696, §12, is amended to read:

E. Identify best management practices and make this information available to the public, including, but not limited to, best management practices that facilitate property tax rate reduction pursuant to the increasing state share of the total cost of essential programs and services under Title 20-A, chapter 606-B;

Sec. D-65. 30-A MRSA §6006-F, sub-§6, as enacted by PL 1997, c. 787, §13, is amended to read:

6. Forgiveness of principal payments. The fund must provide direct grants by forgiving the principal payments of a loan for an eligible school administrative unit. The amount of the forgiveness of principal payments must be determined by the school administrative unit's state share percentage ~~of--debt service-costs~~ as determined in Title 20-A, section ~~15611~~ 15672, subsection 31, not to exceed:

A. Seventy percent and no less than 30% for health, safety and compliance;

B. Seventy percent and no less than 30% for repairs and improvements; and

C. ~~Fifty~~ Seventy percent and no less than ~~20%~~ 30% for learning space upgrades.

Sec. D-66. Fund for the Efficient Delivery of Educational Services; implementation plan. The Commissioner of Education shall submit a proposed plan to govern the design, implementation, management and oversight of the Fund for the Efficient Delivery of Educational Services established in the Maine Revised Statutes, Title 20-A, section 15754 to the Joint Standing Committee on Education and Cultural Affairs by March 31, 2005. As part of this review, the commissioner shall consider the efficient delivery of educational services in rural and isolated small school administrative units. The joint standing committee may report out a bill designed in accordance with the intentions of this Part to govern the design, implementation, management and oversight of the Fund for the Efficient Delivery of Educational Services.

Sec. D-67. Fund for the Efficient Delivery of Educational Services; distribution of the fund in fiscal year 2005-06. Notwithstanding the Maine Revised Statutes, Title 20-A, section 15754, the allocations from the General Purpose Aid to Local Schools program in fiscal year 2005-06 to the Fund for the Efficient Delivery of Educational Services must be used for the transition adjustment pursuant to Title 20-A, section 15686, subsection 1. The allocation of funds from the Fund for the Efficient Delivery of Educational Services must be distributed to school administrative units that are eligible for the transition adjustment under the criteria established in Title 20-A, section 15686, subsection 1.

Sec. D-68. Sharing of total costs in school administrative districts and community school districts; Department of Education review. Notwithstanding the Maine Revised Statutes, Title 20-A, section 15688, subsection 2 and to ensure that member municipalities of school administrative districts and community school districts whose cost-sharing formulas were established in accordance with Title 20-A, sections 1301 and 1704, respectively, do not experience significant adverse effects as a result of the cost-sharing mechanism established pursuant to Title 20-A, section 15688, subsection 2, the Department of Education shall conduct a review and analysis, for each school administrative unit, of the implications of this proposed cost-sharing mechanism on the member municipalities of these school administrative districts and community school districts. The Department of Education shall assist the member municipalities of these school districts in developing transition plans that include a phase-in to achieve the new method of determining member municipalities' local cost of education in accordance with Title 20-A, section 15688, subsection 2 no later than fiscal year 2008-09. The Department of Education shall report the findings of this review, including any recommended legislation, to the Joint Standing Committee on Education and Cultural Affairs by March 31, 2005. The Joint Standing Committee on Education and Cultural Affairs is authorized to introduce a bill related to the Department of Education report to the First Regular Session of the 122nd Legislature.

Sec. D-69. Method of cost sharing; exception. Beginning in fiscal year 2005-06, the provisions of the Maine Revised Statutes, Title 20-A, section 15688, subsection 2 do not apply in determining the local cost of education of member municipalities in Maine School Administrative Districts No. 6 and No. 44. The cost-sharing formulas established between the member municipalities in these 2 school administrative districts prior to January 1, 2005 remain in effect until the formulas are changed pursuant to Title 20-A, section 1301, subsection 3. Pursuant to section 68, all other school administrative districts and community school districts whose cost-sharing formulas were established in accordance with

Title 20-A, sections 1301 and 1704, respectively, remain subject to a phase-in approach to achieve the requirements of Title 20-A, section 15688, subsection 2 and must reach full implementation of this provision no later than fiscal year 2008-09.

Sec. D-70. Criteria for isolated small school adjustment; rulemaking. For fiscal year 2005-06 and pursuant to the Maine Revised Statutes, Title 20-A, section 15683, subsection 1, paragraph F, the Commissioner of Education shall use the proposed model that was approved by the State Board of Education during its December 2004 meeting to determine the school administrative units that qualify for the adjustment for isolated small schools, except that the commissioner shall use the following criterion change for isolated small elementary schools: for elementary schools, the distance from the nearest school is reduced from 10 to 8 miles. The commissioner shall develop provisionally adopted rules that establish the qualifications for the adjustment for isolated small schools in accordance with Title 20-A, section 15687 no later than December 2, 2005 so that the Legislature may consider these criteria during the Second Regular Session of the 122nd Legislature.

Sec. D-71. Transition adjustment for fiscal year 2006-07. To minimize the adverse fiscal impact that may be experienced by some school administrative units as a result of the phase-in of the Essential Programs and Services Funding Act, the Commissioner of Education shall facilitate a review and analysis of the need for a transition adjustment in fiscal year 2006-07. The Commissioner of Education, no later than January 13, 2006, shall make a recommendation to the Joint Standing Committee on Education and Cultural Affairs regarding the eligibility requirements and funding levels necessary for a transition adjustment in fiscal year 2006-07. The recommendations of the Commissioner of Education must be consistent with the provisions of the Maine Revised Statutes, Title 20-A, section 15686.

Sec. D-72. Application. This Part applies to school budgets passed for the fiscal year beginning July 1, 2005, and thereafter.

Sec. D-73. Retroactive application. This Part applies retroactively to July 1, 2005.

PART E

Sec. E-1. 36 MRSA §6201, sub-§1, as amended by PL 1993, c. 670, §9, is further amended to read:

1. **Benefit base.** "Benefit base" means property taxes accrued or rent constituting property taxes accrued. In the case of a claimant paying both rent and property taxes for a homestead, benefit base means both property taxes accrued and rent constituting property taxes accrued. The benefit base may not exceed \$3,000 for single-member households and \$4,000 for households with 2 or more members.

Sec. E-2. 36 MRSA §6201, sub-§11-A, as amended by PL 1999, c. 401, Pt. R, §1 and affected by §2, is further amended to read:

11-A. Rent constituting property taxes accrued for nonelderly household. "Rent constituting property taxes accrued for nonelderly household" means ~~18%~~ 20% of the gross rent actually paid in cash or its equivalent in any tax year by a claimant and the claimant's household solely for the right of occupancy of their Maine homestead in the tax year and which rent constitutes the basis, in the succeeding calendar year, of a claim for relief under this chapter by the claimant.

Sec. E-3. 36 MRSA §6204, as amended by PL 2001, c. 396, §42, is further amended to read:

§6204. Filing date

A claim may not be paid unless the claim is filed with the Bureau of Revenue Services on or after August 1st and on or before the following ~~December~~ May 31st.

Sec. E-4. 36 MRSA §6207, sub-§1, ¶A-1, as amended by PL 1997, c. 557, Pt. A, §3 and affected by Pt. G, §1, is further amended to read:

A-1. Fifty percent of that portion of the benefit base that exceeds 4% but does not exceed 8% of income plus 100% of that portion of the benefit base that exceeds 8% of income to a maximum payment of ~~\$1,000~~ \$2,000.

Sec. E-5. 36 MRSA §6207, sub-§2, as amended by PL 1997, c. 557, Pt. A, §3 and affected by Pt. G, §1, is repealed.

Sec. E-6. 36 MRSA §6209, as amended by PL 1989, c. 508, §25, is further amended to read:

§6209. Annual adjustment

1. **Household limitation adjustment.** ~~Beginning--March--1, 1989,--and--annually--thereafter,--the~~ The State Tax Assessor shall determine annually the household income eligibility adjustment factor. That factor shall must be multiplied by the applicable

income limitations in section 6206, as previously adjusted according to this subsection, applicable for the year prior to that for which relief is requested. The result ~~shall~~ must be rounded to the nearest \$100 and ~~shall-apply~~ applies to the year for which relief is requested corresponding to the year on which the annualized cost of living adjustments were based. ~~Beginning March 1, 1991, the same procedure shall be employed to adjust the income limitation in section 6207, subsection 2.~~

2. Benefit base maximum adjustment. Beginning March 1, 2006, the State Tax Assessor shall annually multiply the household income eligibility adjustment factor by the maximum benefit base amounts specified in section 6201, subsection 1, as previously adjusted. The result must be rounded to the nearest \$50 and applies to the application period beginning the next August 1st.

Sec. E-7. Application. This Part applies to claims for benefits under the Maine Residents Property Tax Program filed for application periods that begin on or after August 1, 2005.

Sec. E-8. Retroactivity. This Part applies retroactively to August 1, 2005.

PART F

Sec. F-1. 36 MRSA §683, sub-§1, as repealed and replaced by PL 2003, c. 20, Pt. BB, §1 and affected by §3, is repealed and the following enacted in its place:

1. Exemption amount. Except for assessments for special benefits, the just value of \$13,000 of the homestead of a permanent resident of this State who has owned a homestead in this State for the preceding 12 months is exempt from taxation. In determining the local assessed value of the exemption, the assessor shall multiply the amount of the exemption by the ratio of current just value upon which the assessment is based as furnished in the assessor's annual return pursuant to section 383. If the title to the homestead is held by the applicant jointly or in common with others, the exemption may not exceed \$13,000 of the just value of the homestead, but may be apportioned among the owners who reside on the property to the extent of their respective interests. A municipality responsible for administering the homestead exemption has no obligation to create separate accounts for each partial interest in a homestead owned jointly or in common.

Sec. F-2. 36 MRSA §683, sub-§1-A, as enacted by PL 2003, c. 20, Pt. BB, §2 and affected by §3, is repealed.

Sec. F-3. 36 MRSA §683, sub-§§3 and 4, as enacted by PL 1997, c. 643, Pt. HHH, §3 and affected by §10, are amended to read:

3. Effect on state valuation. The Fifty percent of the just value of homesteads exempt under this subchapter must be included in the annual determination of state valuation under sections 208 and 305.

4. Property tax rate. The Fifty percent of the value of homestead exemptions under this subchapter must be included in the total municipal valuation used to determine the municipal tax rate. The municipal tax rate as finally determined may be applied to only the taxable portion of each homestead qualified for that tax year.

Sec. F-4. 36 MRSA §685, sub-§2, as enacted by PL 1997, c. 643, Pt. HHH, §3 and affected by §10, is amended to read:

2. Entitlement to reimbursement by the State; calculation. A municipality that has approved homestead exemptions under this subchapter may recover from the State ~~100%~~ 50% of the taxes lost by reason of the exemptions upon proof in a form satisfactory to the bureau. The bureau shall reimburse the Unorganized Territory Education and Services Fund for ~~100%~~ 50% of taxes lost by reason of the exemption.

Sec. F-5. Retroactive application. This Part applies retroactively to property tax valuations determined on or after April 1, 2005.

PART G

Sec. G-1. 30-A MRSA §5681, sub-§2, ¶C, as enacted by PL 1999, c. 731, Pt. U, §1, is amended to read:

C. ~~"Annual growth ceiling" for fiscal year 2000-01 means the amount certified by the Treasurer of State by September 17, 2000 as the amount transferred to the Local Government Fund in fiscal year 1999-00~~ 2005-06 means \$100,000,000. For subsequent fiscal years, "annual growth ceiling" must be determined by the State Tax Assessor by September 1st annually and means the annual growth ceiling adjusted by the lower of the increase for the previous fiscal year in the Consumer Price Index or the increase in receipts from the taxes imposed under Title 36, Parts 3 and 8. The annual growth ceiling may not be less than the annual growth ceiling for the previous year.

Sec. G-2. Application. This Part applies to fiscal years beginning on or after July 1, 2005.

PART H

Sec. H-1. 30-A MRSA §5681, sub-§5-B, as enacted by IB 2003, c. 2, §3, is amended to read:

5-B. Fund for the Efficient Delivery of Local and Regional Services. For the months beginning on or after July 1, 2004 and before the distributions required by subsections 4-A and 4-B, 2% of all receipts transferred each month pursuant to subsection 5 must be deposited in the Fund for the Efficient Delivery of Local and Regional Services, as established in subsection 3, and distributed to those municipalities and counties that can demonstrate significant and sustainable savings in the cost of delivering local and regional governmental services through collaborative approaches to service delivery, enhanced regional delivery systems, the consolidation of administrative services, the creation of broad-based purchasing alliances or the execution of interlocal agreements.

Sec. H-2. 36 MRSA Pt. 11 is enacted to read:

PART 11

STATE TAX POLICY GOALS

CHAPTER 931

TAX BURDEN REDUCTION GOALS

§7301. Tax burden reduction goals

It is the goal and policy of the State that by 2015 the State's total state and local tax burden be ranked in the middle 1/3 of all states, as determined by the United States Census Bureau's most recent tax burden analysis, adjusted by the assessor to reflect the State's unique expenditure tax relief programs.

It is the goal and policy of the State that additional state funds provided to municipalities through increases in the state share of education funding under the essential programs and services funding model must, to the greatest possible extent, be available for statewide property tax reduction.

§7302. Progress reporting and data

1. Assessment and report. The State Planning Office shall separately assess and report on the progress made by the State, municipalities, counties and school administrative units, respectively, in achieving the tax burden reduction goals established in section 7301.

2. Indicators; annual report. With reference to Title 5, chapter 142; Title 20-A, section 15671, subsection 1; and Title 30-A, sections 706-A and 5721-A, the State Planning Office shall develop and apply specific, quantifiable performance indicators against which the progress in achieving the tax burden reduction goals established in section 7301 can be measured. On January 15, 2006 and annually thereafter, the State Planning Office shall report to the Governor and to the joint standing committee of the Legislature having jurisdiction over taxation matters on the progress made by the State, counties, municipalities and school administrative units, respectively, in achieving the tax burden reduction goals. The report required by this subsection must be comprised of 4 distinct parts reporting on the progress made by the State, municipalities, counties and school administrative units, respectively. The State Planning Office may also include in its report recommendations on alternative strategies to achieve the tax burden reduction goals established in section 7301 that reflect the best practices in this State, other states and other countries.

3. Data. The State Planning Office shall annually collect and analyze data regarding spending and revenues for municipalities, counties and school administrative units. The State Planning Office shall submit an annual report that provides information and analysis regarding government spending and revenue behavior and trends to the Governor and the joint standing committee of the Legislature having jurisdiction over taxation matters. The report must include information that identifies spending and revenue behavior by individual municipalities, counties and school administrative units. Upon request, other departments of State Government shall cooperate and assist the State Planning Office in the preparation of the report.

Sec. H-3. Fund for the Efficient Delivery of Local and Regional Services; distribution. The Department of Administrative and Financial Services shall present a bill to the First Regular Session of the 122nd Legislature by March 1, 2005 that establishes the details of a plan for the design, implementation, management and oversight of the Fund for the Efficient Delivery of Local and Regional Services, established in the Maine Revised Statutes,

Title 30-A, section 5681, subsection 3, including the distribution of the fund, in the form of competitive grants and planning grants to municipalities, counties and regional government subdivisions that demonstrate significant and sustainable savings in the cost of delivering local and regional governmental services, or, in the case of planning grants, the potential for such savings, through collaborative approaches to service delivery, enhanced regional delivery systems, the consolidation of regional services and the creation of broad-based purchasing alliances.

PART I

Sec. I-1. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Homestead Property Tax Exemption Reimbursement 0886

Initiative: To increase the homestead exemption to \$13,000 and to provide 50% reimbursement to municipalities.

GENERAL FUND	2005-06	2006-07
All Other	\$53,872	\$162,789
GENERAL FUND TOTAL	\$162,789	\$162,789

Homestead Property Tax Exemption - Mandate Reimbursement 0887

Initiative: To reimburse municipalities 90% of the additional costs associated with changes to the homestead exemption.

GENERAL FUND	2005-06	2006-07
All Other	\$115,000	\$0
GENERAL FUND TOTAL	\$115,000	\$0

Maine Revenue Services 0002

Initiative: Provides funds for one Tax Examiner position and related costs associated with the expansion of the Maine Residents Property Tax Program, including one-time funds for computer programming costs.

GENERAL FUND	2005-06	2006-07
POSITIONS - LEGISLATIVE COUNT	1.000	1.000
Personal Services	\$52,529	\$56,513
All Other	\$109,517	\$85,002

GENERAL FUND TOTAL	\$162,046	\$141,515
ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF DEPARTMENT TOTALS		
	2005-06	2006-07
GENERAL FUND	\$330,918	\$304,304
DEPARTMENT TOTAL - ALL FUNDS	<u>\$330,918</u>	<u>\$304,304</u>

EDUCATION, DEPARTMENT OF

General Purpose Aid for Local Schools 0308

Initiative: Provides funds for the Fund for the Efficient Delivery of Educational Services. Funds appropriated in fiscal year 2005-06 only are to be used to provide transition adjustments in order to minimize the adverse fiscal impact that may be experienced by some municipalities as a result of the phase-in of the essential programs and services model.

GENERAL FUND	2005-06	2006-07
All Other	\$6,962,382	\$6,194,152
GENERAL FUND TOTAL	<u>\$6,962,382</u>	<u>\$6,194,152</u>

General Purpose Aid for Local Schools 0308

Initiative: Appropriates funds in fiscal year 2005-06 in order to provide additional subsidy to local school units and deappropriates funds in fiscal year 2006-07 due to revised projections of the amount of subsidy required to fund the State's share of the cost of essential programs and services.

GENERAL FUND	2005-06	2006-07
All Other	\$6,463,417	(\$5,963,417)
GENERAL FUND TOTAL	<u>\$6,463,417</u>	<u>(\$5,963,417)</u>

Fund for the Efficient Delivery of Educational Services

Initiative: Allocates funds for the Fund for the Efficient Delivery of Educational Services. Funds appropriated in fiscal year 2005-06 only are to be used to provide transition adjustments in order to minimize the adverse fiscal impact that may be experienced by some municipalities as a result of the phase-in of the essential programs and services model.

OTHER SPECIAL REVENUE FUNDS	2005-06	2006-07
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All Other	\$6,962,382	\$6,194,152
OTHER SPECIAL REVENUE FUNDS TOTAL	<u>\$6,962,382</u>	<u>\$6,194,152</u>

**EDUCATION, DEPARTMENT OF
DEPARTMENT TOTALS**

	2005-06	2006-07
GENERAL FUND	\$13,425,799	\$230,735
OTHER SPECIAL REVENUE FUNDS	\$6,962,382	\$6,194,152
DEPARTMENT TOTAL - ALL FUNDS	<u>\$20,388,181</u>	<u>\$6,424,887</u>

EXECUTIVE DEPARTMENT

State Planning Office 0082

Initiative: Provides funds for contractual services for the required data collection, data entry and analysis.

GENERAL FUND	2005-06	2006-07
All Other	\$50,000	\$50,000
GENERAL FUND TOTAL	<u></u>	<u>\$50,000</u>

**EXECUTIVE DEPARTMENT
DEPARTMENT TOTALS**

	2005-06	2006-07
GENERAL FUND	\$50,000	\$50,000
DEPARTMENT TOTAL - ALL FUNDS	<u>\$50,000</u>	<u>\$50,000</u>

SECTION TOTALS	2005-06	2006-07
GENERAL FUND	\$13,806,717	\$585,039
OTHER SPECIAL REVENUE FUNDS	\$6,962,382	\$6,194,152
SECTION TOTAL - ALL FUNDS	<u>\$20,769,099</u>	<u>\$6,779,191</u>